

very able and diligent assistance in putting this package together.

I also want to acknowledge and commend the bipartisan efforts of the Committee on Ways and Means leadership. Specifically, we could not be poised to pass such important legislation today without the work of the gentleman from Texas (Chairman ARCHER); the gentleman from New York (Mr. RANGEL), the ranking member; the gentleman from Florida (Mr. SHAW), the subcommittee chairman; and the gentleman from California (Mr. MATSUI), the subcommittee ranking member. Both committees have shown that they can pull together to produce a major reform package such as this one.

I will not attempt to detail the very complex bill here today, only to touch on some of the highlights. Reducing the pension retirement age to 60 with 30 years of service; providing for full inheritance of pension annuities by surviving spouses and cutting the vesting requirement in half to put it on the same 5-year basis with most other pension plans. While increasing benefits, this bill allows for payroll tax reductions, based on the performance of the underlying trust fund. Having a professionally managed investment portfolio will allow railroad retirees to benefit from returns comparable to those available in other pension plans.

I want to stress, Mr. Speaker, that this legislation in no way prejudices whatever decision this Congress might make with regard to Social Security reform. This bill is addressed only to the pension or the Tier II part of railroad retirement. Tier I, the railroad counterpart of Social Security, is not touched in any way.

From a fiscal standpoint, when we apply common sense to this bill, it is assuring a sound and prosperous future for railroad retirement. First, it creates an automatic tax adjustment mechanism so that the payroll tax rates can float up or down reflecting the performance of the pension assets.

Secondly, this automatic adjustment mechanism is structured to assure a minimum of 4 years of benefit reserves.

Third, by diversifying the investment of the Tier II pension assets, it helps both rail workers and employers grow their retirement fund more rapidly than is permitted under current law.

Mr. Speaker, this bill is a win for all, for railroad workers, for railroad retirees, for the railroads that provide a key part of our transport network and for the taxpayer, through enhanced fiscal soundness of the railroad retirement system. I strongly urge its approval.

Mr. Speaker, I reserve the balance of my time.

Mr. OBERSTAR. Mr. Speaker, I yield myself 6 minutes.

The legislation before us, Mr. Speaker, will bring substantial benefits to the more than 1 quarter million men and women who work on America's railroads and the more than 700,000 retirees and survivors of retired railroad

workers. At the same time, this legislation allows for a significant reduction in the payroll taxes paid by the Nation's railroads.

It is a win for railroads. It is a win for railroad labor. It is a win for retirees.

I want to compliment our chairman, the gentleman from Pennsylvania (Mr. SHUSTER), for the splendid work that he has done and the cooperation extended across the aisle, as we have done so often on so many issues in our committee.

Once again, we have brought a very contentious issue to fruition, through the committee process, through collaboration and cooperation and working out something that is in the best public interest.

I want to thank our ranking member on our side, the gentleman from West Virginia (Mr. RAHALL), for his leadership and working together with railroad labor railroads and the gentleman from Illinois (Mr. LIPINSKI) for the work that he did in previous years as the ranking member on the Subcommittee on Railroads and for his continued interest in and support of this issue and many other Members on our side and on the Republican side who have worked so hard to bring us to this point.

This point is an historic agreement reached by railroad labor and management after 2 years of very tough negotiations. The benefit improvements and tax cuts are made possible by changing current law that limits the investment of railroad retirement trust fund assets to only government securities.

The proposed changes govern how railroad retirement trust fund assets can be invested. The changes will not affect the solvency of the railroad retirement system. The Tier I portion, which is Social Security benefits, will continue to be invested only in government securities.

Tier II, the part of the system that offers pension plan type benefits above the Social Security benefit levels, will be eligible for investment in assets other than government securities. The projected increase in trust fund income from these changes are based on fairly conservative forecasts of the rates of return that can be earned from such a diversified portfolio, about 2 percentage points above the return on government securities.

Most importantly, if those investments fail to perform as well as expected, workers' pensions are further protected as this legislation and in the agreement that underlies the legislation which requires that the railroads absorb any future tax increase that might be necessary to keep this system solvent. Ultimately, the Federal Government continues to be responsible for the security of the railroad retirement system.

This legislation offers the first major benefit improvements in the railroad retirement program in more than 25 years.

Just a few of the improvements, and I will cite the primary benefits.

First, the age at which employees can retire with full benefits is reduced from 62 to 60 years with 30 years of service.

Second, the number of years required for vesting in the railroad retirement system is reduced from 10 years to 5 years.

Third, the benefit of widows and widowers will be expanded.

Fourth, the limits on certain Tier II annuities are repealed.

Fifth, the bill calls for automatic future improvements if the retirement plan becomes overfunded.

The bill allows for railroads' payroll taxes for Tier II benefits to decline from the current level of 16.1 percent to 13.1 percent. By the third year following passage of the bill, the railroads stand to gain nearly \$400 million a year from lower payroll taxes. These savings go directly to the railroads' bottom lines, can be used to make the investments they need in improving railroad infrastructure and to improve the wages and working conditions of railway workers.

It is important for us to point out that nothing in the legislation alters the fundamental nature of the railroad retirement program. Benefits will continue to be guaranteed in the final analysis by the Federal Government. This is a good bill. It is good for workers. It is good for retirees. It is good for their survivors. It is good for the railroads and for the national economy. I urge all Members to give it their support.

Mr. Speaker, I reserve the balance of my time.

□ 1615

Mr. SMITH of Michigan. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I think the question before us is should we delve into using taxpayer money to, if you will, bail out a private pension retirement plan for railroad workers.

Let me just quote some of the facts developed by our Committee on the Budget, four reasons that Members should oppose this bill.

Number one may be the most important as far as the American taxpayers are concerned. The Committee on the Budget says it will cost \$33 billion of taxpayer money over the next 10 years. This bill increases benefits and reduces contributions to the Railroad Retirement System by \$7 billion over the next 10 years.

In addition, it allows the Railroad Retirement System to cash in \$15 billion in government bonds now held by the railroad industry pension fund. These actions will reduce the budget surplus, thereby increasing the Government's interest costs by \$13 billion over that time period. The net cost to U.S. taxpayers, including the offset, therefore, is \$33 billion.

Again, with all of the pension plans in this country, many of them facing